

The Commission met on **Thursday, November 3, 2005**, Chaired by Commissioner Reha with Commissioners Johnson, Nickolai, and Pugh present.

## **TELECOMMUNICATIONS AND ENERGY AGENDA**

### **P-5254/RV-05-1499**

#### **In the Matter of the Revocation of the Certificate of Authority Held by QAI, Inc.**

Commissioner Nickolai moved that the Commission revoke the certificate of authority held by QAI, Inc.

The motion passed, 4-0.

### **P-6083/M-02-1866**

#### **In the Matter of the 911 Plan of Campus Communications Group, Inc.**

Commissioner Pugh moved that the Commission reject the proposed 911 plan of Campus Communications Group, Inc. without prejudice.

The motion passed, 4-0.

### **P-5695/M-05-982**

#### **In the Matter of an Amended Service Agreement Filed by WWC Holding Co., Inc. d/b/a Cellular One**

Commissioner Johnson moved that the Commission approve WWCH's filing to increase the reconnect charge from \$25 to \$30.

The motion passed, 4-0.

### **P-430/AR-02-290**

#### **In the Matter of Sprint Minnesota, Inc.'s Revised Alternative Form of Regulation Plan.**

Commissioner Pugh moved that the Commission grant Sprint's petition for a one-year extension of its AFOR Plan

The motion passed, 4-0.

### **E-001/M-05-406**

**In the Matter of Interstate Power and Light Company Petition or Approval of a Revision to Rider for Fuel Clause to Recovery Costs and Pass-Through Revenue Related to MISO Day 2 E-015/M-05-277**

**In the Matter of Minnesota Power Petition for Approval of Revision to Rider for Fuel Adjustment to Recovery Costs and Pass-Through Revenues Related to MISO Day 2 E-002/M-04-1970**

**In the Matter of Xcel's Petition for Affirmation that MISO Day 2 Costs are Recoverable under the Fuel Clause Adjustment Rules and Associated Variances E-017/M-05-284**

**In the Matter of Otter Tail Power Company Petition for Approval of Revision to Rider for Fuel Adjustment to Pass-Through Revenues and Recover Costs Related to MISO Day 2 under its Transmission and Energy Market Tariff**

Commissioner Nickolai moved that the Commission

1. issue a second interim order, to be in effect for one year, declaring as follows:
  - A. the petitioners may recover costs specific to energy, offset by revenues specific to energy, through the fuel clause adjustment (FCA);
  - B. congestion costs and revenues shall be reviewed in an annual filing;
  - C. the administrative costs and uplift charges assessed by the Midwest Independent Transmission System Operator, Inc. (MISO) shall be subject to recovery in a general electric rate case;
  - D. each petitioner shall provide and update a list of the network resources that it designates for use to serve the MISO system's aggregate load;
  - E. to the extent that a petitioner provides and updates its list of designated resources, Minnesota Rules part 7825.2400, subpart 7, shall be varied up to one year to allow the petitioner to recover through the FCA the legitimate energy-related costs and revenues arising from the participation in MISO's Day 2 energy market for serving native load customers;
  - F. each petitioner shall limit its level of activity in the real-time market to 5% of total purchases for retail customers, or make real-time market activities subject to prudence review on an annual basis in the annual automatic adjustment of charges (AAA) docket arising pursuant to Minnesota Rules part 7825.2810;
  - G. each petitioner shall use its lowest cost generation to serve its ratepayers;
  - H. for costs and revenues allowed to be recovered through the FCA, each petitioner shall report specific MISO Day 2 purchases, sales, expense and revenue

information in its monthly petition for automatic adjustment of charges filed pursuant to Minnesota Rules parts 7825.2600 - .2920 (AA petition), beginning in the second month after MISO Day 2 operations begin;

- I. each petitioner shall have the opportunity to recover costs not directly related to serving ratepayers with energy (uplift, Schedules 16 and 17) through base rates in the petitioner's next general electric rate case;
- J. each petitioner shall, in its next general electric rate case, examine a revenue-sharing or benchmarking system of off-system sales or other significant revenue streams attributable to MISO's Day 2 market that would offset increased costs from participation in MISO's Day 2 market;
- K. each petitioner shall use the method outlined in section III. H of the comments of the Minnesota Department of Commerce to derive purchased power costs and costs recovered through intersystem sales; this includes the following:
  - 1) reporting "Loss Rebates Associated with Purchases," equaling the sum of the Day-Ahead Losses Rebate on Carved-Out Grandfathered Agreements, the Day-Ahead Losses Rebate on Option B Grandfathered Agreements, the Real-Time Financial Bilateral Transaction Loss Amount, and the Real Time Losses Rebate on Carved-Out Grandfathered Agreements, as these terms are defined in the MISO Business Practices Manual;
  - 2) reporting "Energy Amounts Associated with Purchases," equaling the sum of the portions of the following charges incurred for purchases of energy that was not produced by the petitioner: the Energy and Loss Components of the Day-Ahead Asset Energy Amount, the Day-Ahead Non-Asset Energy Amount, the Energy and Loss Components of the Real-Time Asset Energy Amount, Real-Time Net Inadvertent Distribution, and the Real-Time Non-Asset Energy Amount, as these terms are defined in the MISO Business Practice Manual;
  - 3) making the same reports for Account 447 as is required for Account 555;
- L. each petitioner shall adopt the following accounting practices:
  - 1) continuing accounting for fuel costs related to generation plants serving native load in Accounts 151 and 501, the same way they are accounted for today;
  - 2) recording in separate subaccounts of Account 555, PURCHASED POWER, on an aggregated basis any revenues and costs linked to MISO's Day 2 locational marginal pricing, including generation offers to the market and

load purchases used to service native load customers, marginal loss compensations, and marginal loss credits, if allowed through the FCA;

- 3) for accounting purposes, tracking MISO charges for both costs and revenues in separate sub-accounts for each charge;
- 4) recording MISO Day 2 costs and revenues excluded from the FCA, including MISO Schedule 16 and 17 and uplift charges, in separate sub-accounts of Account 555;
- 5) allocating all MISO Day 2 charges on a transactional basis;
- 6) continuing the current practice of using Account 447, SALE FOR RESALE, to reflect the true costs of off-system/wholesale sales, including the related MISO costs as detailed in Ordering Paragraph M below;

M. each petitioner shall do the following:

- 1) track in a separate sub-account of Accounts 447 and 555 each individual charges, including both revenues and expenses.
- 2) include in the monthly AA petition a summary of all charges included in Accounts 447 and 555 by sub-account.
- 3) record the new MISO costs from Accounts 447 and 555 as a line item on Attachment 1 page 1 of the monthly AA petition.
- 4) provide the following additional information in monthly FCA filings:
  - a) directly beneath line item 5 ("Less Fuel Cost of Intersystem Sales"), add the following:
    - "Less Loss Rebates Associated with Intersystem Sales" – this item is defined as a credit for the portion of the Loss Rebates Associated with Purchases incurred for purchases that were not used to serve retail load;
    - "Less Energy Amounts Associated with Intersystem Sales"-- this item is defined as a credit for the portion of the Energy Amounts Associated with Purchases incurred for purchases that were not used to serve retail load;
  - b) provide a separate attachment to its monthly FCA filing showing the amounts of each of MISO's thirty-two charges, as defined in the MISO Business Practice Manual, incurred for the prior two months

for which cost and sales values are used in the FCA calculation; for each of the charges, state the amount of the charge incurred for serving retail load and the amount incurred for intersystem sales;

- c) report the Day Ahead and Real Time Asset and Non-Asset Energy amounts disaggregated into energy, transmission loss, and congestion components;
  - d) provide details and supporting information in the monthly FCA for load forecast for native load customers, the generation designed to serve native load customers, the actual native load usage, and the difference between the forecasted and actual usage on a daily basis and summarized on a monthly basis;
  - e) provide information detailing whether the settlement statements produced by MISO conform to the petitioner's own records as reflected in its "shadow settlement system;"
- 5) provide the following information in AAA filings:
- a) information on the net cost of congestion costs and financial transmission rights (FTR) revenues from serving ratepayers. The report should also include information on the amount of excess FTR revenues recovered from MISO as calculated in the FTR Monthly Allocation Amount and the FTR Yearly Allocation Amount;
  - b) a summary of the effects of each of the thirty-two MISO Day 2 charges on ratepayers and/or the petitioner over the course of the year;
- N. the Commission is not authorize utilities to defer recovery of MISO Day 2 costs, but rather provide for utilities to seek recovery of the costs through base rates after a thorough examination in a general electric rate case;
- O. the obligation to refund the amounts collected pursuant to the Commission's ORDER AUTHORIZING INTERIM ACCOUNTING FOR MISO DAY 2 COSTS, SUBJECT TO REFUND WITH INTEREST (April 7, 2005) shall begin after the opportunity for reconsideration of the Commission's second interim Order has expired;
- P. each petitioner shall use net accounting for purchases and sales on an hourly basis;
- Q. while the Commission allows the direct energy costs to be recovered through the automatic adjustment clause, it does not cede any issue of state jurisdiction over the final retail rates to be paid by customers;

2. initiate an investigation into the means of assuring low-cost electric energy for the State of Minnesota, in which the Commission would do the following:
  - A. solicit comments on the appropriate scope for the investigation;
  - B. solicit comments on the following alternatives:
    - 1) forming, by state law, a statewide transmission company as Wisconsin has in forming the American Transmission Company;
    - 2) forming a more regional transmission company or regional transmission organization incorporating facilities in Manitoba, Minnesota, North Dakota, South Dakota and Wisconsin, perhaps modeled on the Mid-Continent Area Power Pool;
    - 3) developing alternatives for Minnesota to achieve energy self-sufficiency without relying on the MISO markets; and
  - C. convene a technical conference/forum on the topics identified to be within the investigation's scope.

The motion passed, 4-0.

**E-135,298/SA-05-1274**

**In the Matter of the Application of the City of Redwood Falls, Minnesota to Extend its Assigned Service Area into the Area Presently Served by Redwood Electric Cooperative**

Commissioner Reha moved to that the Commission take the actions set forth below:

- refer the matter of appropriate compensation to the Office of Administrative Hearings for a contested case hearing to determine and recommend appropriate compensation under Minn. Stat. § 216B.44;
- authorize the City to provide interim service to new customers locating within the Prairie Knoll Addition portion of Area 3, subject to the following three conditions:
  - in the event service rights revert to the Cooperative and cable or other facilities installed by the City fail to meet Cooperative standards, the Cooperative need not compensate the City for the cable or facilities;
  - in the event service rights revert to the Cooperative, the City shall hold harmless, defend, and indemnify the Cooperative against third-party claims based upon improper installation or defective materials;

- the City shall escrow \$1,500 per acre as it extends interim service into the Prairie Knoll Addition;
- refer to the Office of Administrative Hearings the issue of the Cooperative's entitlement to compensation for the customer it is serving within the City's assigned service area, but encourage the parties to explore the possibility of settling that issue.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: NOVEMBER 30, 2005**

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**Burl W. Haar, Executive Secretary**